

BWEA Speech – Offshore Wind Conference 2004

Tower Thistle Hotel, 3 March 2004

I am delighted to be here today. Let me bid everybody a warm welcome to East London. My Constituency in East Ham is just a few miles east of here. Here at St Katharine's Dock 30 years ago, the transformation of London Docklands began. There will, in the next 30 years, be a further massive transformation on the east side of London as the Thames Gateway initiative unfolds. All of us want renewable energy to be part of the success. It has been a hectic but hugely encouraging year for UK renewables, and a great deal has happened since I addressed many of you at your annual conference just last October.

There have in particular been welcome developments on offshore wind. We welcomed the awarding of site leases, by the Crown Estate, for a Round 2 of offshore wind farm development, and witnessed the completion of the first of the offshore wind farms licensed under round 1, North Hoyle, which I visited by boat from Rhyl on a glorious morning last October and which started generating electricity into the Grid later in the autumn. I was impressed there not just by the engineering grandeur of that project, five miles out to sea, but also by the efforts National Wind Power had made to involve and update the local community from the start of the project, and by the systematic environmental impact monitoring which is a continuing part of the project. Meanwhile, the opening of the European Marine Energy Centre at Orkney, which I visited a few weeks later, demonstrates that we are also looking further ahead, to a larger and more diverse renewable energy sector in the longer term.

Round 2 Offshore

The round 2 offshore programme paves the way for what is likely to be the biggest expansion of renewable energy there has ever been anywhere in the world. There is the opportunity for the UK to lead the world in the development of offshore wind, and I want us grasp that opportunity and make the most of it.

Options for sites have been offered to 12 different consortia for 15 development sites, with a potential total capacity of up to 7.2GW - equivalent to some 7% of UK electricity supply, or 18% of domestic requirements. These licences range from smaller 64MW proposals to ground breaking developments of 1.2GW or more.

Some of the Round 2 projects fall outside of Territorial Waters. The Energy Bill, now being debated in the House of Lords, will give developers the legal security they need to take these projects forward. The Bill will give us a level playing field for all offshore renewable energy developments no matter where they are located.

The second round projects will be contributing not only to the electricity targets, but will provide welcome opportunities for business and employment. It was great to see industry's confidence and enthusiasm. Proposals were submitted for over 26GW of capacity, more than three times the amount for which site leases could be offered.

We hope that as much as half of the Round 2 projects can be delivered by 2010. This would provide well over a quarter of our 10% target. The rest will count towards our longer-term objectives. And we are determined to realise the potential for industrial development and employment that these opportunities can create.

Round 1 Offshore

Last October I was pleased to announce the outcome of the third tranche of the DTI's Offshore Capital Grants Scheme and the details of the six additional projects receiving grants. That was on top of the six which had been successful in the previous two tranches. The 60 MW wind farm at North Hoyle is the first of those from the earlier tranches to have been commissioned.

North Hoyle has been a vital first step on a very sharp learning curve. I hope its success spurs on the construction of the remaining Round 1 projects, which we expect to be completed over the next three or four years. We want them constructed as quickly as possible to help develop a sustainable industry going forward, and to increase the proportion of our electricity from renewable sources as rapidly as we can.

Powergen's Scroby Sands is well advanced with all of its monopiles in place and the installation of 2 of the 3 export cables. It is due for completion by the middle of this year. I also understand that the Elsam development at Kentish Flats is expected to begin offshore construction later this year. Turbines will be erected on the site in the following spring with potentially the first electricity generated by June of next year. My officials at Renewables UK are working very closely with NEG Micon, the EPC contractor, to ensure that UK companies are given every opportunity to tender for work in the construction of this project.

Last year was a record year for offshore wind with eight Round 1 consents being approved. We expect all of the currently consented sites to be built by 2010. I want developers to begin construction as soon as possible, with I hope a good number being constructed through 2005 – for example, Barrow, Gunfleet Sands, Lynn and Inner Dowsing.

Onshore Wind

Whilst offshore wind farms will make a vital contribution to meeting the target for 2010, development of onshore wind farms will also have a big part to play, to accelerate renewables development.

Progress is continuing. The Scottish Executive has recently granted consent for the two largest onshore windfarms to date. The first at Hadyard Hill will have a capacity of 130 Megawatts and will be located near Girvan in South Ayrshire. It will provide enough clean electricity to meet the average needs of 80,000 homes. The second, at Black Law in Lanarkshire, will be even bigger, with 143 Megawatts capacity – enough to power 83,000 homes. The projects could create around 220 local jobs during the construction phase.

Renewables Obligation

In December, I announced the Government's plan to extend the rising profile of the Renewables Obligation to 15.4% by 2015-16 – a further important demonstration of our long-term commitment to renewable energy. The Government is now turning its attention to the review of the Renewables Obligation. We need to ensure that the Obligation is working to best effect to support the fast growing renewables market.

We envisage – to get the project off to the earliest possible start – a consultation on its scope and terms of reference in the summer of this year. I am well aware of industry's wish to have this work concluded as rapidly as possible and to minimise uncertainty. It is important for major investment discussions on Offshore Round 2, for example. I share that aim. We will be working closely with industry throughout the process, and the Review will be conducted in the light of the very firm commitment, right at the top of Government, to our renewables targets and aspirations, reflected in the Prime Minister's personal contribution to the official inauguration of North Hoyle.

The Renewables Innovation Review

Last week, we published the findings of our Renewables Innovation Review – a study we conducted jointly with the Carbon Trust in the latter half of 2003. It considered what we need to do in the renewables sector to achieve our targets, and our longer term goal of a 60% carbon reduction by 2050, in the most cost effective ways, and in order to generate the greatest economic benefit to the UK.

The review work confirmed the centrality of wind power – onshore and offshore – to the achievement of our 10% target and to meeting our aspiration of 20% of electricity from renewable sources by 2020.

We will need a big contribution from the offshore sector, and a major ramping up of installation rates over the coming years. Work undertaken for the review by Garrad Hassan confirms our view that we do have the industrial capacity to deliver these ambitious installation rates, and a look around the audience today – at the wide range of major companies present - confirms my own confidence in that view.

Opportunities for UK business

The unprecedented expansion of wind will create big opportunities for UK business. Our recent renewables gap analysis has indicated that today there are two and a half thousand jobs sustained by the wind industry in the UK, and the number could rise as high as 35000 jobs across all renewables by 2020.

But there is still a great deal more to do. There are more than 2000MW of consented wind projects in the UK at the moment, and BWEA has calculated that nearly 500 MW of capacity will be built this year – four times as much as last year, and with UK wind generating capacity more than doubling over the next two years. We will continue to work closely with the industry, via the Renewables Advisory Board, to make sure this gets delivered. Now has got to be the time for the UK supply chain to take advantage of this market and for more projects to be built using UK services and supplies. We are already seeing companies like Seacore, AEI

Cables, Mayflower, Isleburn and Econnect, to name but a few, winning work competitively in this market. I was also delighted to hear NEG Micon's announcement last week of a big expansion of its superb facility on the Isle of Wight, creating up to 120 new jobs, ensuring preparedness for the next generation of offshore projects.

But nobody should be deceived that this is going to be easy. Cambrian Engineering has gone into administration as a result of the uncertain market and the start-stop nature of construction. Their administration is a blow for the whole sector and we continue to work with the company to find the best solution. I do not want to see more UK companies going into administration. Other companies are taking risks to enter the market, as Cambrian did, and it is time to see those risks pay off. But they won't pay off unless projects are built; and unless UK companies have the opportunity to bid for work and are competitive against suppliers from elsewhere.

We face stiff competition from overseas and the UK companies competing in this sector must carve out their business on the basis of their quality, their delivery and the value for money which they can offer. Those here today who let contracts must play your part. UK companies must be given the opportunity to bid and show what they can do. I will be looking with my officials at Renewables UK at future projects and we will want to see UK companies bidding for and being awarded work. Officials will be working extremely hard to make sure that this happens, and they will continue to push on build rates and tender lists.

But to build a sustainable business in the UK, companies must win work on the basis that they are the best for the job. DTI can help to make sure UK companies are given the chance to bid but we can't force work to be placed here, and neither should we even if we could. UK companies, once they are given the opportunity, must show that they can compete in this extremely competitive market, and I am confident that they will be able to.

Barriers

It is important to remember that there are also genuine barriers to meeting our goals. No single one of these is a show stopper in itself, but there are a range of issues that we need to address now to avoid major problems later on. And tackling them successfully requires a concerted and coordinated effort on the part of all of us. Let me just set out some of the areas where I see challenges we have to overcome.

The first is an issue that is often seen as a barrier, and which the IEE drew attention to earlier this week, but where actually we are making real progress. This is the interaction of wind farms and defence interests.

Of course, the development of renewables will impact on the environment, and on other activities. The organisations responsible for civil and military radar systems are entitled to keep an eye on the development of wind farms, as we know that turbines can interfere with radar. But the problems shouldn't be overstated – the majority of wind farms will have no effect on air traffic or radar. In a number of cases, where initial concerns were expressed about potential impacts, these have been withdrawn after discussion, and that was what happened recently with Hadyard Hill in Ayrshire

which I mentioned earlier as having just been given the go ahead by the Scottish Executive

Government departments are working closely together, and with industry, to develop solutions to the problems. We have established the Wind Energy and Civil and Military Aviation Working Group to address aviation-related issues around wind farms. It comprises the Ministry of Defence which understands fully the strategic importance of wind energy for the UK's future, the Civil Aviation Authority, National Air Traffic Services as well as DTI and wind energy developers, and it has made important progress in both commissioning research into solutions to mitigate the impact on radar, and in improving the arrangements for consultation.

MOD and DTI remain committed to working together to deliver our renewable energy targets in a way, which ensures proper protection of radar systems and the safety of air traffic.

Secondly, we will be working very hard to ensure that the transmission grid for new offshore wind farms will be built to match the timetable for the wind farms themselves. The transmission grid expansion required will be treated as part of the regulated activity of our electricity system.

Our key concerns are that we deliver the offshore connections on time, with the least environmental impact and at a minimal cost to the consumer. A difficult task but I am pleased to say that the wind industry, the network operators, Ofgem and my Department are working closely on this task. With Round 2 projects hoping to start connecting from 2007 we all need to treat this as a real priority. We have already seen that work commissioned by the Transmission Issues Working Group for the growth of onshore wind has led to the first application for a major onshore upgrade to be made later this year.

I am pleased that the results of the Renewables Impact Network Study commissioned by the Renewables Advisory Board, and funded by the DTI and The Carbon Trust, will be presented tomorrow, and will clearly highlight the issues we all face now. There is no time to waste in making sure that this part of the jigsaw is in place in time for the expansion we need.

We need confidence to be inspired on the part of investors. My announcement before Christmas that we will extend the Renewables Obligation was designed with that goal in view, and it clearly has helped improve investor confidence. I was delighted to hear about Centrica's intention to invest £750 million in this sector in order to deliver their projects in the Greater Wash area, and about RWE Innogy's success in attracting £400 million of City investment in its existing 430 MW wind portfolio to help fund its future activity. Engagement with the financial sector is essential, and I welcome the recent announcement of the Carbon Trust's "Carbon Rationing Campaign", to raise awareness of the potential risks and rewards for businesses in climate change regulation.

The Renewables Advisory Board has also recently started the "It's Only Natural" renewables information campaign, and I will soon be hosting a seminar in the City

with representatives of the finance sector, to engage in a frank discussion of the issues from a City standpoint.

We have delivered on policy changes recommended in the Renewables Advisory Board report on finance issues, in particular the announced extension of the renewables obligation, and I am keen to ensure that we maintain the `full confidence of the sector as we move into this important period of delivery of offshore wind farms. I want to listen, and to ensure that we stay on track.

Conclusion

So there is a lot of progress to celebrate in realising the UK's renewables potential. There are very visible signs of progress on offshore wind, but we are also making good progress on onshore wind and doing all we can to encourage other renewable technologies. It was great to see over 240 people at the BWEA wave and tidal conference in Bristol last month.

We are at a crucial point in Offshore wind development. The commitment of Government to the industry is crystal clear and will not waver. We have shown in our actions and announcements over the past year how serious we are about offshore wind. Now we are looking to all of us working together to deliver projects that will demonstrate to a wider audience that the UK can lead the world in offshore wind. Let's work together to make a reality of the ambitions that all of us share.

Thank you.